



Private equity: fund performance measurement services

November 2020



What is it?

- ▶ Certifying Internal Rate of Return (IRR) earned by investors and benchmarking it with market indices

How it helps?

- ▶ Helps fund managers to showcase their historical performance in an objective way
- ▶ External certification provides confidence to investors about the calculation process
- ▶ A comparison - fund vs. relevant market indices

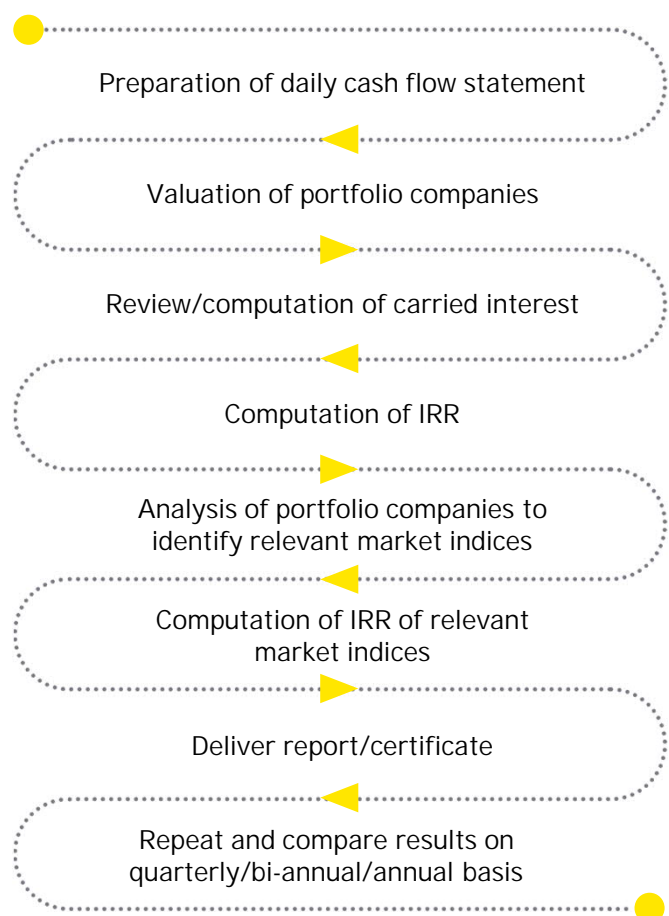
When to do it?

- ▶ Regular intervals: quarterly/bi-annual/annual
- ▶ While raising new funds
- ▶ Global Investment Performance Standards recommends it annually

Benefits of independent certification

- ▶ Promotes investor interests and instills confidence
- ▶ Ensures accuracy and consistency in data

Steps involved



Global Investment Performance Standards (GIPS) says, "Firms may choose to have an independent third-party verification. Verification is a process by which a verification firm (verifier) conducts testing of a firm on a firm-wide basis in accordance with the required verification procedures of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The value of verification is widely recognized, and being verified is considered to be best practice." Source: Page ix, Global Investment Performance Standards: For Firms, 2020

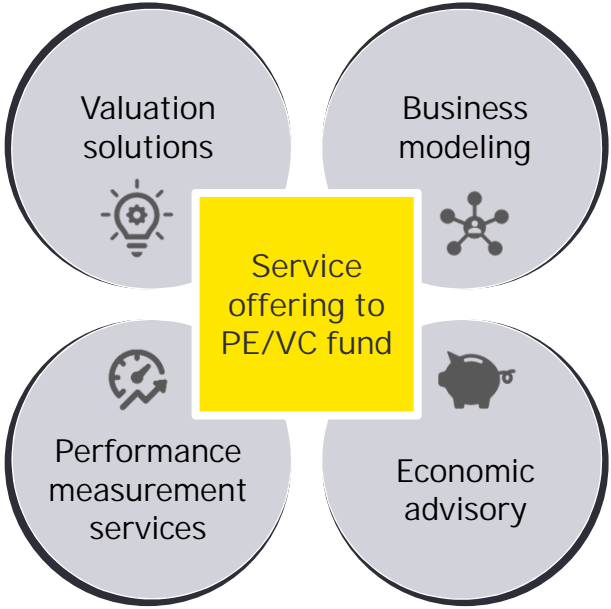
Our understanding of PE lifecycle and the ability to serve across the PE framework ensures that the performance measurement exercise is being effective and efficient.



EY Valuations, Modelling and Economics services offering to PE/VC fund

- ▶ Valuation of portfolio companies
- ▶ Valuation for regulatory compliances (FEMA/SEBI, etc.)
- ▶ Purchase price allocation (tax/accounting)

- ▶ Model builds for portfolio monitoring, MIS management, sensitivity analysis, simulation and dashboarding
- ▶ Model reviews/ scenario analysis



- ▶ Review of funds' IRR
- ▶ Computation of market indices' IRR
- ▶ Model build assistance for management fee payouts

- ▶ Computing economic impact assessment through tools such as:
 - ▶ Economic IRR
 - ▶ Social return on Investments

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